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SUBJECT: Japan Economic Scope for October 27, 2008

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¶1. (U) This cable contains the Japan Economic Scope for October 27, 2008.

Business

¶2. (SBU) Japan to Start Voluntary Carbon Footprint Labeling with Domestic Companies

The Ministry of Economy Trade and Industry (METI) plans to start an experimental voluntary carbon footprint labeling program in early to mid 2009 involving approximately 30 domestic companies. Industry associations will design the basic methodology for computing the carbon footprint of different product categories, subject to review by an expert GOJ panel. METI will try to harmonize the methodologies used with an eventual ISO international standard in three years. U.S. industry is concerned about the accuracy of the labeling and its possible trade-distorting effects.

Environment and Energy

¶3. (U) JAEA Forecasts Decreasing Oil Dependence, Increasing Nuclear Power Use

The Japan Atomic Energy Agency's (JAEA) "Nuclear Power Vision 2100" report forecasts a decrease in oil dependence and a substantial rise in nuclear power. The October 2008 report forecasts a 42 percent drop in energy consumption by 2100 compared to 2000, resulting from a decline in population (falling to just over 64 million by century's end) and improved energy conservation. Notably, the report forecasts significant cuts in energy consumed in the transportation sector, crediting the advent of hydrogen fuel-cell and rechargeable battery-powered vehicles. The JAEA predicts Japan's energy sources will shift from fossil fuels, which is projected to fall to 28 percent (currently 75 percent), to electricity, which is expected to rise to 62 percent (currently 28 percent). To meet this growing electricity demand, the report forecasts an increase in nuclear power generation, with number of nuclear power plants increasing to 231. Nuclear power's share of the electricity supply will grow to 67.1% and, significantly, the report forecasts zero dependence on oil for power generation.

Food and Agriculture

¶4. (SBU) Agriculture Featured on NHK's "Global Food Crisis"

Japan's national television station, NHK, featured U.S. agriculture in a two-part series on the global food crisis aired October 18-19. NHK interviewed U.S. Grains Council executives, who featured prominently in the piece. The program delved into America's role in

the current international food situation, which it likened to the global financial crisis, asserting both stem from the U.S. policies.

In addition, the "ethanol boom" was again singled out as a major cause of the world's troubles.

The program stated the U.S. began exploring new markets for U.S. grain products in the 1980s and promoted trade liberalization around the world, starting with Japan. As U.S. grain exports increased rapidly, so did other countries' dependence on U.S. grain. While NHK rightly pointed out many governments have restricted food exports during the crisis, the program asserted the global food crisis has taught Japan its overdependence on food imports must be reversed. It also failed to highlight the U.S. role as a reliable supplier throughout the food crisis.

The program's second installment focused on Japan's struggle to secure a stable supply of low-cost food amid soaring global food prices, featuring a miso maker in Japan struggling to purchase soybeans. The program noted global farmland is expected to increase by only eight percent over the next 30 years from 2000, while global demand for food is expected to increase by 56 percent during the same period. Countries are therefore trying to increase crop yields by using biotechnology. The piece could help build eventual public acceptance of biotechnology, an improvement from past agriculture-related Japanese TV programming. Looking at Japan's low food self-sufficiency rate, the program also reported on efforts to boost the production of feed-use rice as an alternative to corn imports.

15. (U) USDA: Health Ingredients Japan 2008 Exhibition

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Benefiting from the continuing consciousness about health in the Japanese food sector, U.S. exhibitors at the Health Ingredients Japan 2008 Show displayed a broad range of products to over 42,200 visitors. Products ranged from food ingredients, nutraceuticals, processing/testing equipment, and health foods featuring functional attributes and organically grown ingredients. U.S. Embassy Agricultural Trade Office Tokyo sponsored the U.S. Pavilion with nine booths, including an information booth and lounge, and featured six exhibitors, including three cooperators (the Wisconsin Ginseng Board, California Fig Advisory Board, and the Cherry Marketing Institute).

16. (SBU) AMS Discusses Organic Recognition with MAFF

USDA and Agricultural Marketing Service (AMS) officials visited Tokyo October 15 - 17 to review the GOJ's accreditation system for certifying agents that comply with National Organic Program (NOP) standards. The AMS met with Ministry of Agriculture (MAFF) officials, visited the Food and Agricultural Materials Inspection Center (FAMIC), and organic green tea farms in Shizuoka prefecture. AMS plans to release a report in a few weeks suggesting areas for improvement. Japan plans to export organic green tea to the U.S.

17. (U) ATO Hosts Biannual Cooperators Meeting

The Agricultural Trade Office (ATO) on October 20 gave presentations on the upcoming re-launch of the www.myfood.jp food image campaign and the newly launched "V5 Healthy Eating" campaign. Japan is home to 49 cooperators with a requested \$30.8 million in Market Access Program funding for 2009. The ATO presents seminars twice a year to share information and develop mutually beneficial programs. The V5 campaign is designed to support all cooperators by promoting the concept of "meal salads" to trade and consumers and creating recipes for websites, print, and television using a wide range of ingredients. These two campaigns are key components of the ATO's efforts to provide platforms for cooperators to promote their products in the Japanese market.

18. (SBU) Hokkaido Meeting on Revising Biotech Crop Regulations Lacks Focus

The Hokkaido Prefectural Government (HPG) hosted the first in a

series of seven opinion exchange meetings on food safety and security on October 7. The HPG promised a focused discussion on whether to revise its three-year old biotech crop regulations (due for renewal in 2009; see 2007 Sapporo 29). Ten panelists selected from various occupations such as consumer entities, school lunch nutritionists, local fishery coops, processed food companies, farmers, village agricultural sections, as well as thirty government officials and about fifty members of the public, attended the kickoff meeting in Sapporo. The meeting was divided into three sections: HPG reports on the current status of various activities under prefecture ordinance regarding food safety and security, reactions from each of the ten representatives, and finally opinions from those attending in the audience.

The actual focus, however, was extremely vague. Panelists raised a broad spectrum of food safety issues, very few actually related to biotech. In fact, biotech crops came up only during initial presentations when HPG representatives reported no farmers or research institutions had submitted any requests to grow biotech crops since the 2006 implementation of Hokkaido's regulatory regime.

During open discussions, the meeting turned into verbal battle between biotech supporters and opponents over the safety of biotech crops. The meeting ended with a consumer rights representative declaring "consumers will only accept biotech if these crops are scientifically proven to be absolutely safe to consume."

¶9. (SBU) MAFF Official Assigned To "Tainted Rice" Reform Team Commits Suicide?

Media organizations recently reported a MAFF official in charge of the Plant Protection Division and the Food Safety and Consumer Affairs Bureau hanged himself in his home on Friday afternoon. Police suspect the official, Director Yoshiro Tokura, committed suicide, according to the press. Although Tokura was not directly involved in the tainted rice scandals, he was assigned to a newly established team of MAFF officials to address the issue. A senior MAFF representative was quoted in Mainichi as saying it is unclear whether the suicide was related to the tainted rice scandals. Some media report the alleged suicide was more likely the result of family problems.

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Japan's Foreign Relations

¶10. (U) JICA President Visits Washington

Cooperation Agency President Sadako Ogata explained advantages she expects to flow from the recent reorganization of aid institutions in Japan, in which the Japan Bank for International Cooperation was recently folded into the Japan International Cooperation Agency (JICA). Her October 14 speech in Washington at a conference co-hosted by JICA and the World Bank came just two weeks after her organization effectively became the world's largest bilateral development agency.

For the first time, a single agency will be able to provide "a complete package of assistance," including technical help, grant aid, and soft loans for medium to long-term development. She also highlighted the recent establishment of the JICA Institute, which will attract both domestic and foreign scholars to explore development assistance issues. Ogata spoke about how her expanded agency can collaborate with other partners to fight poverty, especially in Africa.

¶11. (SBU) Aso-Singh Pledge Accelerated EPA Talks

Prime Minister Aso and Indian PM Manmohan Singh concluded their summit in Tokyo with no announcement of an Economic Partnership Agreement. The leaders instead issued a joint statement affirming a Strategic and Global Partnership that calls for concluding an EPA as early as possible. In a press interview, PM Singh expressed hope an agreement could be concluded by the end of the year, though analysts cited the need to simplify procedures for generic drugs and the removal of tariffs on auto parts as significant obstacles. The

Aso-Singh statement also announced a 450 million yen ODA loan for the first phase of the Delhi-Mumbai Dedicated Freight Corridor rail project. Japan is going ahead with the low-interest loan despite U.S. and other OECD partners' objections that the project is commercially viable and incompatible with OECD tied aid rules.

¶12. (U) MOFA Hosts 4th Israeli-Palestinian Confidence-Building Conference

The Ministry of Foreign Affairs will host the Fourth Conference for Confidence-Building between Israel and the Palestinians October 22 - 23 in Tokyo; it last convened in March 2007. The chief Israeli delegate, Minister of the Interior Meir Sheetrit, and chief Palestinian delegate, PLO Negotiations Head Dr. Sa'eb Erekat, will attend the conference with other government officials and academic experts from both sides who are familiar with the Middle East Peace Process and the local situation.

The Conference aims to exchange views on the status of the Middle East Peace Process, prospects for the development of the Palestinian economy, perspectives on the "Corridor for Peace and Prosperity" initiative, and the feasibility of a comprehensive Middle East peace, and other topics for peaceful coexistence between Israelis and Palestinians. The conference represents one of Japan's policy pillars for promoting the Middle East Peace Process.

¶13. (U) Japan-China-South America Trilateral Summit Dates Floated

Prime Minister Aso floated December 6 or 7 as potential dates for Japan to host a trilateral summit between Japan, China, and South America, according to media reports. Japan postponed the summit, originally scheduled for September, following the resignation of PM Fukuda. Potential agenda topics for the meeting, which could be held in Fukuoka, include the financial crisis, climate change and the DPRK's nuclear program. The timing of the proposed summit calls into question earlier media predictions of a November 30 Lower House election.

¶14. (U) Japan Urges IMF, World Bank to Help Affected Poor Nations

Japan called on the IMF and the World Bank October 13 to implement steps to help developing economies affected by the ongoing global financial turmoil and pledged support for the two institutions' endeavors to that end. Bank of Japan Governor Masaaki Shirakawa told a plenary session of the IMF/WB annual meeting in Washington the IMF should provide financial aid to help emerging and smaller countries inject capital into their financial institutions and guarantee deposits amid the credit crisis. He also urged the WB to contemplate how it could compensate for expected declines in private capital flows to developing countries due to the global credit crunch. "Japan stands ready to supplement needed funds," Shirakawa

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said, in reference to the envisaged IMF aid.

He also expressed expectations that the WB and the new JICA "will make their aid more effective and efficient and produce robust results by means of an exchange of best practices and know-how and its close coordination and cooperation."

¶15. (U) Japan's ODA Budget Requests Total 771.87 Billion Yen, up 10.2 Percent

Budget requests for Japan's foreign aid in fiscal 2009, starting next April, total 771.87 billion yen (about \$7.72 billion), up 10.2 percent from the initial fiscal 2008 budget, the Ministry of Foreign Affairs (MOFA) announced October 8. Despite the government's hope to expand aid, including a pledge to double official development assistance to Africa by 2012, negotiations with the Finance Ministry are expected to be tough given the overall tight fiscal situation. Ten of the 13 government ministries and agencies involved are requesting budget increases for their respective Official Development Assistance (ODA) expenditures.

MOFA, which considers ODA one of Japan's most important diplomatic tools, made the largest request, 500.62 billion yen (about \$5

billion), up 13.6 percent, followed by the Finance Ministry at 174.65 billion yen (about \$1.75 billion), up 0.3 percent. Japan's ODA budget has been cut for nine straight years. This situation has led Japan, formerly the world's largest donor, to be surpassed by Germany and France in 2007, and to drop to fifth place among 22 major donors in terms of ODA disbursements. The Cabinet's final approval of the budget is expected in December.

¶16. (SBU) For Now, No Nuclear Talks With India (SBU)

Japan has no concrete plans to begin negotiations with India on a bilateral civil nuclear cooperation agreement, according to MOFA officials. Officials did not preclude the possibility Japan will engage with India at a later date, but said for now the best Japan can do is to not oppose the Nuclear Suppliers Group exception that has been carved out for India. The Nikkei reported October 20 PM Aso would discuss Japan's position on the issue with visiting Indian PM Singh on October 22. Commenting on the press report, MOFA officials said that the topic is "still under consideration" as an agenda item for the PM's discussions.

Politics and Reform

¶17. (SBU) GOJ And Local Officials Launch Commission To Plan For Land Use After Base Realignment

In another sign local Okinawan officials believe the DPRI base realignment plan will be implemented, a GOJ-funded commission was launched October 22 to work with local governments to develop recommendation for future disposition of lands returned as part of the southern consolidation and U.S. military facilities. An initiative of the Prefectural Government, the commission includes representatives of two base-hosting cities (Ginowan and Chatan), several Tokyo-based urban planning experts and representatives of the Cabinet Office and the Okinawa Prefectural Government.

Technology, Telecom, and IPR

¶18. (U) An Incremental Victory On Japan IPR Enforcement

A Cultural Affairs Agency study committee has issued a draft report recommending the copyright law be revised to make illegal the downloading of illegal content or content from illegal sources. The step follows U.S. regulatory reform recommendations noting the weakness of Japanese law if distribution is illegal but downloading and possession are not. A Cultural Affairs Agency contact advised the committee's final report should be published before year's end. The Agency has started preparations to revise the copyright law.

¶19. (U) NIMS Hosts Young Scientists on Nano Mechanics

The National Institute of Materials Science (NIMS) hosted the U.S.-Japan Young Scientists Symposium on Nano Mechanics-related Active Systems October 8, 2008. The National Science Foundation (NSF) and Ministry of Education, Culture, Sports, Science and Technology (MEXT) supported the event as part of the "U.S.-Japan Nanotechnology Program" established in 2003.

Symposium participants included 12 U.S. researchers, 13 Japanese

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researchers, and representatives from the host institution, MEXT and NSF. The symposium program consisted of three sessions, a tour of the NIMS, research presentations, and a reception/dinner. The research talks focused on nano tools, hybrid nanomaterials, and nano-biomedical materials and devices. The U.S. team praised the first-rate facilities and the research conducted by the Japanese institutions.

In addition to participating in the symposium, the U.S. team visited the University of Tokyo, AIST (National Institute of Advanced Industrial Science and Technology) in Tsukuba Science City, Kyoto University, and Osaka University.

122. (SBU) GOJ Ponders "High Risk" Chemical Registration Law

Japan is considering legislation to require chemical companies to register the manufacture and import volume of certain products, according to a front-page Nikkei article today. A health ministry official told us this law will not be as expansive as the EU REACH Directive, although it will be "loosely based" on REACH (Registration, Evaluation and Authorization of Chemicals). The official further indicated the new legislation will focus on chemicals considered high risk, and that its list of monitored chemicals should be considerably shorter than that established under REACH.

123. (SBU) GOJ Finalizes Domestic Trial Emissions Trading Scheme

The GOJ finalized details of its voluntary trial emissions trading scheme and began recruiting participants October 21, according to an MOE contact. Recruitment will continue until mid-December, but trading will not start until late 2009. The delay allows time for the trading scheme's Secretariat (comprised of METI, MOE and other agencies' officials) to verify the self-selected targets of the participating companies. The MOE contact confirmed press reports that over 1,000 companies are likely to participate.

SCHIEFFER